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NEA/IPA FOR WILLIAMS, SHAMPAIN, BELGRADE;
NSC FOR ABRAMS, DORAN, WATERS;
TREASURY FOR HIRSON

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TAGS: [ENRG](#) [ECON](#) [PREL](#) [PGOV](#) [KWBG](#) [IS](#)
SUBJECT: ISRAEL BUILDING SUPER HIGH-VOLTAGE ELECTRICITY
LINE TO GAZA

CLASSIFIED BY: ECONOMIC COUNSELOR WILLIAM WEINSTEIN FOR REASONS 1.4 (B,
D)

11. (C//REL TO USA, AUS, CAN, AND GBR) SUMMARY: ACCORDING TO DAN WEINSTOCK, DIRECTOR OF THE ELECTRICITY AUTHORITY AT THE MINISTRY OF NATIONAL INFRASTRUCTURE, PAYMENT AND CONSTRUCTION OF A 161-KILOVOLT (KV) POWER LINE FROM THE ISRAELI CITY OF NETIVOT TO NORTHERN GAZA IS ONE-THIRD COMPLETE. HOWEVER, THE PROJECT IS BEHIND SCHEDULE AND DELAYED DUE TO TWO OUTSTANDING ISSUES. FIRST, THE GOI AND THE PALESTINIAN AUTHORITY (PA) HAVE NOT YET AGREED ON A DIRECT PAYMENT MECHANISM, THOUGH THE GOI IS CONSIDERING APPLYING TAX FUNDS IT COLLECTS ON BEHALF OF THE PA TO OFFSET THE REMAINING PROJECT COST. ONCE THE ISSUE OF PAYMENT IS RESOLVED, AND CONSTRUCTION OF THE POWER LINE RESUMES, IT SHOULD TAKE APPROXIMATELY THREE MONTHS TO COMPLETE. THE MORE SERIOUS ISSUE IS THE NEED FOR A CUSTOM-MADE SUBSTATION IN GAZA CAPABLE OF HANDLING SUPER HIGH VOLTAGE ELECTRICITY. WEINSTOCK SAID THAT AT THE PA'S REQUEST, THE ISRAELI ELECTRIC CORPORATION (IEC) HAS RECOMMENDED CONSULTANTS TO DESIGN THE SUBSTATION. HOWEVER, FOLLOWING SEVERAL RECENT ATTACKS ON ITS EMPLOYEES, THE IEC HAS MAINTAINED THAT IT CANNOT AND WILL NOT WORK IN GAZA. GOI OFFICIALS ACKNOWLEDGE THAT THE POWER LINE IS IN THE MUTUAL INTERESTS OF BOTH THE ISRAELI AND PALESTINIAN PEOPLE, AND ARE HOPEFUL THAT THE PROJECT CAN GET BACK ON TRACK SOON. END SUMMARY.

BACKGROUND

12. (C//REL TO USA, AUS, CAN, AND GBR) IN MILITARY ACTION FOLLOWING GILAD SHALIT'S ABDUCTION, THE IDF BOMBED THE LOCAL POWER PLANT IN GAZA, WHICH SUPPLIED 120 MEGAWATTS (MW) OF ELECTRICITY TO MOST OF GAZA CITY. MINISTER OF NATIONAL INFRASTRUCTURE BENJAMIN BEN-ELIEZER WAS CONCERNED THAT THE RESULTING SHORTAGE OF ELECTRICITY WOULD SPARK A HUMANITARIAN CRISIS. HE THEREFORE APPROVED A PLAN TO CONSTRUCT A SUPER HIGH-VOLTAGE ELECTRICITY LINE CONNECTING SUBSTATIONS IN THE ISRAELI CITY OF NETIVOT AND GAZA CITY, WHICH WOULD SUPPLEMENT -- AND EVENTUALLY REPLACE -- 11 MEDIUM-VOLTAGE LINES THAT CURRENTLY PROVIDE GAZA APPROXIMATELY 100 MW OF ELECTRICITY. (NOTE: IN 2003, THE GOI REACHED AN AGREEMENT WITH THE PALESTINIAN AUTHORITY (PA) TO BUILD THE POWER LINE, BUT THE PROJECT WAS DELAYED DUE TO TECHNICAL DIFFICULTIES, AND WAS LATER SUSPENDED ENTIRELY FOLLOWING THE ELECTION OF A HAMAS-LED PALESTINIAN GOVERNMENT. AFTER IDF STRIKES CUT OFF POWER TO THOUSANDS OF PALESTINIANS, BEN-ELIEZER CONFERRED WITH THE MINISTRY OF DEFENSE, WHICH SUPPORTED RESUMPTION OF

THE PLAN ON HUMANITARIAN GROUNDS. END NOTE.)

13. (U) THE UNIDIRECTIONAL 161-KILOVOLT (KV) POWER LINE WILL SPAN NINE KILOMETERS, AND IS EXPECTED TO SUPPLY 50 MEGAWATTS (MW) OF ELECTRICITY WHEN IT FIRST BECOMES OPERATIONAL. ACCORDING TO WEINSTOCK, ONCE THE LINE OPERATES AT ITS FULL CAPACITY IT COULD SUPPLY 300 MW, WHICH WOULD BE ENOUGH TO MEET THE 225 MW NEEDED TO POWER THE ENTIRE GAZA STRIP DURING TIMES OF PEAK USAGE.

WHO WILL PAY FOR THE POWER LINE?

14. (C//REL TO USA, AUS, CAN, AND GBR) WHEN ASKED WHETHER THE GOI HAD ANY CONCERNS ABOUT DEALING WITH A PALESTINIAN COALITION GOVERNMENT THAT INCLUDED HAMAS, WEINSTOCK NOTED THAT THE GOI HAS REASONED THAT SINCE THE PALESTINIAN TECHNICAL EXPERTS INVOLVED ARE NOT AFFILIATED WITH ANY TERRORIST ORGANIZATIONS, THE PROJECT COULD PROCEED. FURTHERMORE, HE ADDED, SINCE THE IEC IS TO BE PRIVATIZED, ONGOING CONTACT AT A TECHNICAL LEVEL IS PERMITTED, SINCE IT WILL BE ONLY A "PARTIALLY STATE-OWNED" ENTITY.

15. (C//REL TO USA, AUS, CAN, AND GBR) THE TOTAL COST OF THE PROJECT IS NIS 22 MILLION (USD 5.2 MILLION). HEZI KUGLER, DIRECTOR GENERAL AT THE MINISTRY OF NATIONAL INFRASTRUCTURE (MONI), CONFIRMED TO ECONOFF THAT THE EUROPEAN UNION HAS ALREADY PAID NIS 7.5 MILLION (USD 1.8 MILLION) ON BEHALF OF THE PA. ACCORDING TO KUGLER, THE PA IS EXPECTED TO COVER THE

REMAINDER, AND HAS REQUESTED THAT THE GOI OFFSET THE COST BY USING FUNDS FROM TAXES IT LEVIES ON ITS BEHALF. WEINSTOCK ADDED THAT THE PALESTINIAN REQUEST WENT TO THE PRIME MINISTERS CHIEF OF STAFF YORAM TURBOWICZ, AND THAT THE PA IS AWAITING A RESPONSE. ON A SEPARATE TRACK, REPRESENTATIVES OF

THE WORLD BANK RAISED THE ISSUE WITH MINISTER BEN-ELIEZER, WHO REPORTEDLY PROMISED TO FOLLOW UP. ONCE THE PAYMENT ISSUE IS RESOLVED, IT WILL TAKE APPROXIMATELY THREE MONTHS TO COMPLETE CONSTRUCTION OF THE POWER LINE.

PALESTINIANS NEED TECHNICAL EXPERTS

16. (C//REL TO USA, AUS, CAN, AND GBR) A MORE SERIOUS ISSUE DELAYING THE COMPLETION OF THE PLAN IS THE NEED TO DESIGN AND BUILD A SUBSTATION IN GAZA CAPABLE OF HANDLING SUPER HIGH VOLTAGE ELECTRICITY. ACCORDING TO WEINSTOCK, THE PA DOES NOT CURRENTLY HAVE THE TECHNICAL EXPERTS FOR SUCH A PROJECT. HE SAID THAT, AT THE PA'S REQUEST, THE ISRAELI ELECTRIC CORPORATION (IEC) PROVIDED A LIST OF PRIVATE-SECTOR CONSULTANTS WHO COULD DESIGN THE SUBSTATION. HOWEVER, HE ADDED THAT THE PALESTINIANS THEN SAID THEY WOULD PREFER THE IEC TO DO THE DESIGN, CITING A NEED FOR PROJECT CONTINUITY. WEINSTOCK ASSESSED THAT IT IS LIKELY THAT THE IEC WILL DESIGN THE SUBSTATION, BUT CAUTIONED THAT COMPLETING THE PROJECT WOULD TAKE "AN ADDITIONAL FEW MONTHS" BECAUSE THE CONSTRUCTION "TRANSITION SEASON" DURING WHICH SPECIALIZED WORK CAN TAKE PLACE IS LIMITED TO BETWEEN APRIL AND JUNE.

IEC EMPLOYEES FEAR FOR THEIR SAFETY

17. (C//REL TO USA, AUS, CAN, AND GBR) KUGLER TOLD ECONOFF THAT ALTHOUGH THE IEC MIGHT PROVIDE TECHNICAL EXPERTISE, IT WOULD NOT CARRY OUT ANY CONSTRUCTION IN GAZA. HE ADDED THAT IEC EMPLOYEES ARE "FED UP" WITH THE "INCESSANT SHOWER OF QASSAM ROCKETS" FALLING NEAR ISRAEL'S BORDER WITH GAZA, AND ARE EVEN RELUCTANT TO WORK NEAR GAZA. IN EARLY MARCH, AFTER A ROCKET LANDED NEAR THE ROTHENBERG POWER PLANT NEAR ASHKELON, IEC EMPLOYEES THREATENED RETALIATION BY CUTTING OFF POWER TO GAZA, BUT TOOK NO ACTION. HOWEVER, ON MARCH 20 A PALESTINIAN SNIPER NEAR KIBBUTZ NAHAL OZ SHOT AN IEC WORKER,

AND LOCAL IEC EMPLOYEES RESPONDED BY DELIBERATELY SHUTTING DOWN THE LINES PROVIDING ELECTRICITY FROM ISRAEL TO GAZA. SOON AFTER, THE MONI AND IEC UNION CHIEF ORDERED THAT POWER BE RESTORED. IN ANOTHER INCIDENT, IEC EMPLOYEES REFUSED TO REPAIR A TRANSFORMER DAMAGED BY SNIPER FIRE AT A NEARBY MILITARY CAMP, CITING SECURITY CONCERNS.

MUTUALLY BENEFICIAL PROJECT

18. (C//REL TO USA, AUS, CAN, AND GBR) THE CURRENT INFRASTRUCTURE NEEDS UPGRADING, AND THE 11 MEDIUM-VOLTAGE POWER LINES, WHICH PROVIDE ELECTRICITY TO THE ISRAELI COMMUNITIES ALONG THE BORDER WITH NORTHERN GAZA AS WELL AS TO PALESTINIANS IN GAZA ITSELF, ARE OFTEN OVERLOADED AND CANNOT MEET THE DEMAND FOR POWER. DAMAGE CAUSED BY ATTACKS ON THE SUBSTATION AND INFRASTRUCTURE ON THE ISRAELI SIDE OF THE BORDER -- WHETHER FROM SNIPER FIRE, QASSAM ROCKETS, OR ACTS OF VANDALISM -- HAVE MEANT THAT PEOPLE ON BOTH SIDES OF THE BORDER HAVE HAD TO ENDURE FREQUENT BLACKOUTS. KUGLER OPINED THAT IN LIGHT OF POLITICAL AND SECURITY SENSITIVITIES, EGYPTIAN OR OTHER INTERNATIONAL EXPERTS MIGHT BE NEEDED TO COMPLETE THE PROJECT. ULTIMATELY A SOLUTION WILL BE REACHED, HE ADDED, BECAUSE THE PROJECT IS IMPORTANT TO THE WELL-BEING OF ISRAELIS AND PALESTINIANS ALIKE. HE BELIEVES THAT A FULLY FUNCTIONING SUPER HIGH-VOLTAGE POWER LINE COULD DO MORE THAN JUST PROVIDE ELECTRICITY; IT WILL "CONNECT ISRAELIS AND PALESTINIANS -- EVEN IF ONLY ON A FUNCTIONAL LEVEL."

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JONES